

Message Text

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ACTION EUR-12

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SUBJECT: LOCAL REACTIONS TO GOC BUDGET

REF: OTTAWA 01814

1. HALIFAX CHRONICLE-HERALD EDITORIAL COMMENDED CHRETIEN ON NEW GOC BUDGET. ALTHOUGH BY NO MEANS ECSTATIC, THE NEWSPAPER POINTED OUT THAT FINANCE MINISTER HAD LIMITED ROOM FOR MANEUVER AND THAT HE HAD AVOIDED MAKING PROMISES WHICH HE SAID WOULD BE "POLITICALLY POPULAR BUT UNWISE ECONOMICALLY". EDITORIAL VIEWED AS ENCOURAGING THE COMMITMENT BY THE FEDERAL GOVT TO PAY FULL COSTS OF THREE PERCENT SALES TAX CUTS IN ATLANTIC CANADA AND SAW THIS AS GRATIFYING ACKNOWLEDGEMENT OF ADVERSE ECONOMIC CONDITIONS FACING THIS REGION.

2. EDITORIAL NOTED--AS NUMEROUS OTHERS HAVE ALSO NOTED--THAT SALES TAX CUTS ARE PRACTICALLY THE ONLY NOTEWORTHY ITEM IN THE NEW BUDGET. CERTAINLY IT OFFERS NOTHING FOR THE UNEMPLOYED AND NOTHING TO ENCOURAGE BUSINESS INVESTMENT.

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PAGE 02 HALIFA 00181 111638Z

3. DALHOUSIE UNIVERSITY ECONOMIST PROFESSOR ROBERT COMEAU AND ST MARYS UNIVERSITY ECONOMIST PROFESSOR ERVIN DOOK ARE CONTRASTING VIEWS ON THE BUDGET. COMEAU CALLED IT DISAPPOINTING FOR FAILING TO DO ANYTHING MUCH FOR THE UNEMPLOYED. HE NOTED THAT IF EVERYTHING WORKED OUT, THE ULTIMATE EFFECT OF THE NEW BUDGET WOULD

BE TO REDUCE UNEMPLOYMENT BY A MERE ONE HALF OF ONE PERCENT.
DOOK, HOWEVER, SAW THE BOOST IN CONSUMER SPENDING TO
BE EXPECTED FROM THE SALES TAX CUT AS JUST WHAT WAS
NEEDED FOR THE LOCAL ECONOMY. HE SAW THIS BOOST AS
TENDING TO INCREASE BOTH LEVELS OF OUTPUT AND OF EMPLOYMENT.
HIS ONLY FEARS WERE THAT THE GOVT WOULD FIND IT
NECESSARY TO INCREASE THE MONEY SUPPLY TO MAKE UP FOR THE
REVENUE SHORTFALL STEMMING FROM THE NEW BUDGET PROVISIONS.

4. EVEN NS OPPOSITION LEADER JOHN BUCHANAN AND NDP
LEADER JEREMY AKERMAN FOUND IT POSSIBLE TO FORCE A FEW
MODERATELY-FAVORABLE WORDS ABOUT THE BUDGET FROM
BETWEEN CLENCHED TEETH BEFORE EXPATIATING ON ITS FAULTS.
BUCHANAN ADMITTED THAT "EVEN A FEW CRUMBS FROM THAT GROUP IN
OTTAWA" WERE WELCOME. "WE ACCEPT THIS BENEVOLENT
GIFT FROM THE GOVERNMENT OF CANADA," HE SAID, "BUT WHY
IS IT THIS KIND OF THING ONLY OCCURS ON THE EVE OF
ELECTION CAMPAIGNS --IT IS A BLATANT ATTEMPT TO BUY
VOTES AND NOTHING ELSE." AKERMAN SAID, "YOU HAVE TO
SAY THANK YOU WHEN SOMEONE LEAVES A BAG OF MONEY ON YOUR
DOORSTEP," BUT WENT ON TO POINT OUT THAT A SIX-MONTH
TAX ADJUSTMENT IS NOT THE ANSWER TO CANADA'S ENTRENCHED
AND STRUCTURAL ECONOMIC PROBLEMS.

5. COMMENT: FOREGOING THUMBNAIL ASSESSMENTS OF NEW BUDGET
ARE MERELY A FEW FROM AMONG MANY MORE GIVEN IN 4/11/78
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PAGE 03 HALIFA 00181 111638Z

ISSUE OF HALIFAX CHRONICLE-HERALD. ALTHOUGH MANY
COMMENTS PUBLISHED WERE PREDICTABLY COLORED BY POLITICAL
BIAS, OVERALL IMPRESSION SEEMS TO BE THAT SALES TAX CUT
IS ONLY PROVISION IN NEW BUDGET WHICH WILL HAVE MEASURABLE
IMPACT. THAT IMPACT, WHILE WELCOME, WILL BE SHORT-LIVED
AND UNLIKELY TO HAVE ANY LINGERING GOOD EFFECTS. END
COMMENT. MOORE

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